

146 FERC ¶ 61,126  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Acting Chairman;  
Philip D. Moeller, John R. Norris,  
and Tony Clark.

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|--|---------------------------|
| Public Service Company of New Mexico   | Docket Nos. ER10-2302-004 |
| Tucson Electric Power Company          | ER10-2564-002             |
| UNS Electric, Inc.                     | ER10-2600-002             |
| UniSource Energy Development Company   | ER10-2289-002             |
| El Paso Electric Company               | ER10-2721-003             |
| Arizona Public Service Company         | ER13-630-000              |
| Nevada Power Company                   | ER10-2475-003             |
| Sierra Pacific Power Company           | ER10-2474-003             |
| Pacific Gas and Electric Company       | ER10-1107-002             |
| Southern California Edison Company     | ER10-1355-001             |
| New Harquahala Generating Company, LLC | ER10-3310-004             |

ORDER ON SIMULTANEOUS TRANSMISSION IMPORT  
LIMIT VALUES FOR THE SOUTHWEST REGION

(Issued February 25, 2014)

1. In December 2012, Public Service Company of New Mexico; Tucson Electric Power Company (Tucson Electric), UNS Electric, Inc., and UniSource Energy Development Company; El Paso Electric Company; Arizona Public Service Company (Arizona Public Service); Nevada Power Company (Nevada Power) and Sierra Pacific Power Company (Sierra Pacific Power); Pacific Gas and Electric Company (PG&E); Southern California Edison Company (SCE); and New Harquahala Generating Company,

LLC (New Harquahala) (collectively, Southwest Transmission Owners)<sup>1</sup> submitted updated market power analyses for the Southwest region in accordance with the regional reporting schedule adopted in Order No. 697.<sup>2</sup> The Southwest Transmission Owners included Simultaneous Transmission Import Limit (SIL) values for the December 2010 – November 2011 study period for markets and balancing authority areas in the Southwest region.

2. In this order, the Commission accepts the SIL values identified in Appendix A (Commission-accepted SIL values). SIL studies are used as a basis for calculating import capability to serve balancing authority area load when performing market power analyses. SIL values quantify the simultaneous transmission import capability into a market or balancing authority area from its aggregated first-tier area. The SIL values accepted herein, except as discussed below, are based on SIL studies submitted by the Southwest Transmission Owners with their updated market power analyses. As discussed below, the Commission-accepted SIL values identified in Appendix A will be used by the Commission to analyze updated market power analyses for the Southwest region. The updated market power analyses for the Southwest Transmission Owners themselves, including any responsive pleadings, will be addressed in separate orders in the relevant dockets.

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<sup>1</sup> Some of the Southwest Transmission Owners submitted amendments to their December 2012 Filings. Additionally, New Harquahala was granted an extension of time to submit its updated market-power analysis, to and including March 29, 2013. *New Harquahala Generating Company, LLC*, Notice of Extension of Time, Docket No. ER10-3310-000 (Feb. 25, 2013).

<sup>2</sup> *Market-Based Rates for Wholesale Sales of Electric Energy, Capacity and Ancillary Services by Public Utilities*, Order No. 697, FERC Stats. & Regs. ¶ 31,252, at P 850, *clarified*, 121 FERC ¶ 61,260 (2007), *order on reh'g*, Order No. 697-A, FERC Stats. & Regs. ¶ 31,268, *clarified*, 124 FERC ¶ 61,055, *order on reh'g*, Order No. 697-B, FERC Stats. & Regs. ¶ 31,285 (2008), *order on reh'g*, Order No. 697-C, FERC Stats. & Regs. ¶ 31,291 (2009), *order on reh'g*, Order No. 697-D, FERC Stats. & Regs. ¶ 31,305 (2010), *aff'd sub nom. Mont. Consumer Counsel v. FERC*, 659 F.3d 910 (9th Cir. 2011), *cert. denied*, 133 S. Ct. 26 (2012).

3. We note that other transmission owners in the Southwest region also submitted updated market power analyses. The updated market power analyses for those transmission owners have been or will be addressed in separate orders in the relevant dockets.<sup>3</sup>

## **I. Background**

4. In Order No. 697, the Commission adopted a staggered filing approach for filing updated market power analyses. The Commission recognized that the transmission-owning utilities have the information necessary to perform SIL studies and therefore determined that transmission-owning utilities would be required to file their updated market power analyses in advance of other entities in each region.<sup>4</sup>

5. With the exception of PG&E and SCE, the Southwest Transmission Owners provided SIL studies for their respective balancing authority areas and, in most cases, their respective first-tier balancing authority areas, including balancing authority areas that are not operated by public utilities as defined under Part II of the Federal Power Act.<sup>5</sup> Specifically, SIL studies were submitted for the following balancing authority areas that, collectively, are first-tier to the Southwest Transmission Owners: Salt River Project, Los Angeles Department of Water and Power, and Western Area Power Administration, Lower Colorado (WALC). Arizona Public Service also studied the Phoenix Valley Load Pocket (Phoenix Valley), a transmission-constrained load pocket with significant reliability must-run generation requirements.<sup>6</sup> Several of the Southwest Transmission Owners coordinated on the preparation of their SIL studies and shared with each other SIL values for their respective balancing authority areas. None of the Southwest Transmission Owners submitted a SIL study for the Imperial Irrigation District (IID) balancing authority area. However, as discussed below, Arizona Public Service prepared

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<sup>3</sup> See, e.g., *ArcLight Energy Marketing, LLC*, Docket No. ER10-3168-004 (Nov. 4, 2013) (delegated letter order); *Alta Wind I, LLC*, Docket No. ER11-2211-002 (July 18, 2013) (delegated letter order); *EDF Trading North America, LLC*, Docket No. ER10-2794-010 (July 18, 2013) (delegated letter order); *Catalina Solar, LLC*, Docket No. ER12-2627-001 (July 16, 2013) (delegated letter order); and *Champion Energy, LLC*, Docket No. ER10-3051-010 (Sept. 6, 2013) (delegated letter order).

<sup>4</sup> Order No. 697, FERC Stats. & Regs. ¶ 31,252 at P 889.

<sup>5</sup> 16 U.S.C. § 824 (2006).

<sup>6</sup> The Commission previously determined that the Phoenix Valley is a relevant geographic market. *Pinnacle West Capital Corp.*, 120 FERC ¶ 61,153, at P 29 (2007).

indicative screens for the IID balancing authority area using proxy SIL values to determine the potential imports into IID. For the California Independent System Operator Inc. (CAISO) market, PG&E and SCE provided, in lieu of a SIL study, an analysis of that market's simultaneous import capability using Western Electricity Coordinating Council (WECC) path ratings.

## **II. Discussion**

6. We begin by commending the transmission owners for coordinating on the preparation of their SIL studies and sharing the SIL values for their respective home balancing authority areas with each other. Such a coordinated approach leads to more accurate and consistent SIL study results. We have selected, from among the SIL values submitted, the Commission-accepted SIL values that we will use in assessing transmission import capability for purposes of measuring market power within the Southwest region. The instant order also accepts SIL values for the Phoenix Valley and IID, as identified in Appendix A to this order.

7. As noted above, both PG&E and SCE calculated SIL values for the CAISO market based on WECC seasonal path ratings. PG&E contends that underlying the WECC path ratings is an Operating Transfer Capability study that computes and takes into account any interdependencies between paths. While the path rating method used by PG&E is not a SIL study, the Commission has found this method, which has been used by PG&E in the past to calculate the CAISO market's SIL values, to be an acceptable alternative to a SIL study.<sup>7</sup>

8. Both PG&E and SCE found that uncommitted first-tier generation limited the CAISO SIL values for all seasons, with one exception.<sup>8</sup> However, the two applicants derived significantly different estimates of uncommitted first-tier capacity. PG&E did not include all first-tier areas in their estimate of uncommitted capacity, choosing to exclude capacity from the Nevada Power, Sierra Pacific Power, and WALC balancing authority areas. SCE calculates higher SIL values for CAISO, in part, because its analysis includes uncommitted capacity from these areas. However, SCE includes capacity from many generating units (or portions thereof) that are actually committed to second-tier markets. For example, SCE considers the shares of the Four Corners generating plant committed to the Public Service Company of New Mexico as available capacity in the Arizona Public Service balancing authority area. In summary, we believe

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<sup>7</sup> *Pacific Gas and Electric Company*, 131 FERC ¶ 61,270, at P 13 (2010).

<sup>8</sup> PG&E's SIL value for the Spring season was limited by available transmission capability rather than uncommitted first-tier capacity.

that PG&E's analysis understates uncommitted capacity in the aggregate first-tier while SCE's analysis overstates this amount.

9. While both PG&E's and SCE's SIL values for the CAISO market have shortcomings, as noted above, on balance we find PG&E's values to be more reasonable. Given that neither PG&E nor SCE provided an actual SIL study, we find that PG&E's more conservative measure of CAISO's SIL values is the appropriate one to accept. Therefore, we have accepted the PG&E values in the instant order as shown in Appendix A.

10. As noted above, none of the Southwest Transmission Owners submitted a SIL study for the IID balancing authority area. However, Arizona Public Service prepared indicative screens for the IID balancing authority area and used proxy SIL values – IID's seasonal peak loads – to determine the potential imports into IID. The proxy SIL values that Arizona Public Service used for the IID balancing authority area are not an acceptable measure of this area's simultaneous import capability because it cannot be assumed that load would be the limiting factor absent an analysis of IID's transmission system, which Arizona Public Service did not perform. Instead, Commission staff calculated SIL values for the IID balancing authority area using WECC seasonal models.<sup>9</sup> These Commission staff-calculated SIL values for the IID balancing authority area are included in Appendix A.<sup>10</sup>

11. New Harquahala submitted SIL values for the Arizona Public Service balancing authority area that differ significantly from those submitted by Arizona Public Service for this area. However, New Harquahala did not prepare a SIL study for the Arizona Public Service balancing authority area; it simply adjusted Arizona Public Service's SIL values to reflect New Harquahala's assumptions regarding the location of certain generating plants. We are not accepting the SIL values for the Arizona Public Service balancing authority submitted by New Harquahala because these values are not derived from a proper SIL study. Entities that disagree with certain assumptions underlying a SIL study must perform their own SIL study rather than make *ad hoc*, after-the-fact adjustments to an existing SIL study, such as New Harquahala has done. New Harquahala's after-the-

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<sup>9</sup> *Simultaneous Import Limit Results for Imperial Irrigation District Balancing Authority Area*, Prepared by the Division of Engineering, Planning, and Operations (Office of Electric Reliability), January 15, 2014 (eLibrary Accession number: 20140115-4005).

<sup>10</sup> The SIL values for the IID balancing authority area are not adjusted for long-term transmission reservations because the Commission has no information on long-term transmission reservations into the IID balancing authority area.

fact adjustments do not, for example, fully account for all of the changes in power flows and limiting elements that may occur when generating units are assumed to be in a different area. Because we find that Arizona Public Service submitted SIL values that were derived from a proper study, we accept those SIL values for assessing transmission import capability into the Arizona Public Service balancing authority area.

12. The Commission will use the Commission-accepted SIL values identified in Appendix A when reviewing the currently pending updated market power analyses submitted by the Southwest Transmission Owners as well as the updated market power analyses filed by the non-transmission owning sellers in the Southwest region for this study period. Future filers submitting screens for the areas and study period identified in Appendix A are encouraged to use these Commission-accepted SIL values. In the alternative, such filers may propose different SIL values provided that their SIL studies comply with Commission directives and they explain why the Commission should consider a different SIL value for a particular balancing authority area or market rather than the Commission-accepted SIL values provided in Appendix A. In the event that the results<sup>11</sup> for one or more of a particular seller's screens differ if the seller-supplied SIL value is used instead of the Commission-accepted SIL value, the order on that particular filing will examine the seller-supplied SIL study and address whether the seller-supplied SIL value is acceptable. However, when the overall results of the screens would be unchanged, i.e., the seller would pass using either set of SIL values or fail using either set of SIL values, the order would be based on the Commission-accepted SIL values found in Appendix A and would not address the seller-supplied SIL values.

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<sup>11</sup> Results refer to the results of the market share and/or pivotal supplier screens. For example, if a seller fails the market share screen for a particular season in a particular market using either SIL value, we would consider the result unchanged. Similarly, if the seller passes the screen using either value, the result is also unchanged.

The Commission orders:

The specific Commission-accepted SIL values identified in Appendix A to this order are hereby adopted for purposes of analyzing updated market power analyses for the Southwest region, as discussed in the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

| <b>Appendix A</b>  |                     |  |               |               |               |             |
|--|---------------------|--|---------------|---------------|---------------|-------------|
| <b>Accepted SIL Values (MW) for the Southwest Region</b> |                     |  |               |               |               |             |
| Study Period of December 2010 to November 2011           |                     |  |               |               |               |             |
|  |                     |  | <b>Winter</b> | <b>Spring</b> | <b>Summer</b> | <b>Fall</b> |
|  | <b>Abbreviation</b> | <b>Study Area</b>                                  | <b>2010</b>   | <b>2011</b>   | <b>2011</b>   | <b>2011</b> |
| 1  | APS                 | Arizona Public Service Company                     | 671           | 41            | 1,034         | 1,751       |
| 2  | CAISO               | California Independent System Operator Corp.       | 13,843        | 13,749        | 10,297        | 12,700      |
| 3  | EPE                 | El Paso Electric Company                           | 55            | 132           | 0             | 58          |
| 4  | IID                 | Imperial Irrigation District                       | 202           | 411           | 155           | 411         |
| 5  | LADWP               | Los Angeles Department of Water and Power          | 35            | 939           | 1,401         | 1,449       |
| 6  | NEVP                | Nevada Power Company                               | 2,304         | 2,972         | 2,174         | 2,867       |
| 7  | PNM                 | Public Service Company of New Mexico               | 1,261         | 1,103         | 1,289         | 1,057       |
| 8  | PVLP                | Phoenix Valley Load Pocket                         | 1,505         | 1,247         | 2,076         | 4,408       |
| 9  | SRP                 | Salt River Project                                 | 1,396         | 1,683         | 1,988         | 2,000       |
| 10   | TEP                 | Tucson Electric Power Company                      | 860           | 1,054         | 1,445         | 1,509       |
| 11   | WALC                | Western Area Power Administration - Lower Colorado | 0             | 0             | 0             | 0           |